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UNCLAS SECTION 01 OF 02 RABAT 001693

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STATE PASS USTR FOR DOUG BELL
STATE PASS USAID FOR SARA BORODIN
USDOC ITA/MAC/ANESA FOR DAVID ROTH
USDOL FOR ILAB
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SUBJECT: FROM THE MOUNTAINS TO THE SEA: MOROCCO'S PLAN AZUR

REF: A) Rabat 1610

1. Summary: The principal strategy for meeting the goal of Morocco's "Vision 2010" is the development of six beach resorts under the \$5.2 billion Plan Azur. Vision 2010 was an agreement established in 2001 between the Government of Morocco (GOM) and the private sector to focus on tourism as a vehicle for economic growth by attracting 10 million tourists per year by 2010 (Reftel). Plan Azur combines cultural centers and beach resorts to give Morocco a competitive edge in the tourism industry. The developments of these resorts are contracted out to international investors at low land prices and with tax incentives. This cable is the second in a series of three cables on Morocco's tourism industry. End Summary.

Plan Azur Beach Resorts

2. Concessions for four of the six beach resorts of Plan Azur, each 500 to 700 hectares, have already been awarded, and construction is already underway. The Mediterranean site of Saidia with a target number of 28,700 beds was sold to French company Fadesa in 2003; Mogador-Essaouira with 8,700 beds to a Belgian and Dutch consortium Thomas & Piron, L'atelier, Colbert, and Orco in 2004; Mazagan-El Jadida with 8,000 beds to South African group Kerzner International in 2004; Lixus-Larache with 13,000 beds to a consortium including Thomas & Piron, L'atelier, and Orco in the same year. The GOM is currently looking for contractors for the two remaining resorts in the south, Taghazout-Agadir with 25,000 beds and Plage Blanche-Guelmim with 26,000 beds, which both require more infrastructure development than the others. Plans for each of the resorts involve development of villas, apartments, golf courses, restaurants, shops, casinos and conference centers. Each investor signed a contract committing to preserving nearby cultural sites including medinas, and to help neighboring communities benefit from the projects by using local resources such as artisans and construction companies.

3. According to the Ministry of Tourism, the GOM targeted international investors for the Plan Azur because of their expertise and access to resources. All the resort concessions were secured at low prices: Saidia for \$1.10 per square meter, Lixus-Larache for \$0.86 per square meter, Mazagan-El Jadida for \$1.67 per square meter, Mogador-Essaouira for \$2.22 per square meter and Taghazout-Agadir is up for sale for \$5.55 per square meter. The Ministry of Finance was in charge of pricing the land. In order to maintain ownership of some of the land, the GOM plans to lease the golf courses to investors. The contractors are committed to finishing the projects in three phases so the GOM can monitor progress. The first four resorts are scheduled to be finished by 2012.

4. As the first one sold, Saidia has made the most progress with \$30 million worth of villas sold to Spanish, English, and Moroccan investors and two hotels to Spanish hotel management company Barcelo. A total of \$1.4 billion has been invested in Saidia so far with \$345 million directed toward the creation of 28,000 new jobs, of which 8,000 are directly related to the project. There are two nearby international airports at Oujda and Nador. \$530 million has been invested in Essaouira-Mogador, which is expected to create 28,500 direct and indirect jobs. \$600 million in Mazagan-El Jadida is expected to generate 12,000 jobs in the beginning and 30,000 by the end of the project, and \$700 million in Lixus-Larache is expected to generate 3,800 direct jobs and 19,000 indirect jobs.

5. In an interview with Moroccan financial daily L'Economiste, Kerzner Group chairman Butch Kerzner expressed complete confidence in Vision 2010. Kerzner Group, which developed Sun City in South Africa and Atlantis in the

Bahamas, recently decided to increase the level of investment for the first phase of the project in Mazagan-El Jadida from \$230 million to \$280 million. Kerzner has confidence in the GOM's efforts in Morocco's tourism industry, and notes that he was impressed by the pragmatism and progressive vision of the GOM's strategy. He believes that the Plan Azur will be a success for Morocco.

16. Comment: Plan Azur is an ambitious project that involves a large amount of coordination between different GOM ministries and with the private sector. Recently, the Minister of Tourism noted that the Vision 2010 goals of 230,000 beds may not be achieved until 2012 because it would be unrealistic to expect investors to finish projects of these magnitudes by 2010. Vision 2010 is largely dependent on the success of Plan Azur. The first four resorts, however, are not scheduled to be completed until 2012. Although the strategy of combining culture and beach creates a unique tourist product, beach tourism is still highly competitive, and Morocco needs to avoid relying too much on the Plan Azur for achieving its tourism objective. End Comment.